

BY THE COMPTROLLER GENERAL

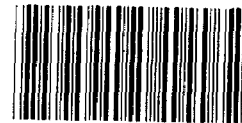
Report To The Congress

OF THE UNITED STATES

Examination Of The Overseas Private Investment Corporation's Financial Statements For The Years Ended September 30, 1984 and 1983

GAO examined the financial statements of the Overseas Private Investment Corporation for the years ended September 30, 1984 and 1983. The examination was made pursuant to 31 U.S.C. 9105 and in accordance with generally accepted government auditing standards.

In GAO's opinion, the financial statements present fairly the financial position of the Corporation at September 30, 1984 and 1983, and the results of its operations, changes in its capital and reserves, and changes in its financial position for the years then ended, in conformity with generally accepted accounting principles.



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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D.C. 20548

B-201607

To the President of the Senate and the
Speaker of the House of Representatives

This report presents our opinion on the Overseas Private Investment Corporation's financial statements for the years ended September 30, 1984 and 1983. We made our examination pursuant to the provisions of 31 U.S.C. 9105 and in accordance with generally accepted government auditing standards.

The Corporation's mission is to encourage and facilitate the investment of private U.S. capital and the creation and expansion of private enterprise in friendly developing nations, principally by providing direct investment loans, investment guaranties, and insurance protection for U.S. companies.

We are sending copies of this report to the Director of the Office of Management and Budget, Secretary of the Treasury, Director of the Office of Personnel Management, Administrator of the Agency for International Development, President of the Overseas Private Investment Corporation, and appropriate congressional committees.

A handwritten signature in black ink, reading "Milton J. Fowler", is positioned above the title.

Acting Comptroller General
of the United States



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D.C. 20548

B-201607

To the Board of Directors
Overseas Private Investment Corporation

We have examined the balance sheets of the Overseas Private Investment Corporation as of September 30, 1984 and 1983, and the related statements of income, changes in capital, reserves, and retained earnings, and changes in financial position for the years then ended. Our examination was made pursuant to 31 U.S.C. 9105 and in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of the Overseas Private Investment Corporation as of September 30, 1984 and 1983, and the results of its operations, the changes in its capital and reserves, and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

A handwritten signature in cursive script, reading "Milton J. Jordan", is positioned above the title.

Acting Comptroller General
of the United States

December 21, 1984

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REPORT ON INTERNAL ACCOUNTING CONTROLS

As part of our examination of the Overseas Private Investment Corporation's financial statements for the years ended September 30, 1984 and 1983, we made a study and evaluation of the system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted government auditing standards. That study and evaluation was limited to a preliminary review of the system to obtain an understanding of the control environment and the flow of transactions through the accounting system. This report pertains only to our study and evaluation of the system of internal accounting control for the year ended September 30, 1984. For the purpose of this report, we have classified the significant internal accounting controls in the following categories:

- expenditure,
- financial reporting,
- guaranty,
- insurance claim,
- insurance revenue,
- investment,
- loan, and
- payroll.

Our study and evaluation was limited to a preliminary review of the system of internal accounting control to obtain an understanding of the control environment and the flow of transactions through the accounting system. Because it was more efficient to expand substantive audit tests, our study and evaluation of the internal accounting controls did not extend beyond this preliminary review phase.

The management of the Overseas Private Investment Corporation is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of

any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the Overseas Private Investment Corporation taken as a whole or on any of the categories of controls identified in the first paragraph. However, our study and evaluation disclosed no condition that we believed to be a material weakness.

REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS

We have examined the financial statements of the Overseas Private Investment Corporation for the years ended September 30, 1984 and 1983. Our examination was made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures, including tests of compliance with laws and regulations, as we considered necessary in the circumstances. This report pertains only to our review of compliance with laws and regulations for the year ended September 30, 1984.

In our opinion, the Overseas Private Investment Corporation complied with the terms and provisions of laws and regulations for the transactions tested that could have materially affected the Corporation's financial statements.

Nothing came to our attention in connection with our examination that caused us to believe that the Corporation was not in compliance with the terms and provisions of laws and regulations for those transactions not tested.

Balance Sheet**Overseas Private Investment Corporation**

At September 30 (In Thousands)

1984

1983

Assets

Cash and investments:

| | | |
|---|----------------|----------------|
| Cash | \$ 4,792 | \$ 31,364 |
| U.S. Treasury securities at cost plus accrued interest (Note 3) | <u>810,131</u> | <u>752,981</u> |
| | 814,923 | 784,345 |

Direct Investment Fund loans outstanding less allowance for

| | | |
|---|---------------|---------------|
| uncollectable loans of \$4,295 in 1984 and \$4,804 in 1983 (Note 4) | <u>28,852</u> | <u>28,366</u> |
|---|---------------|---------------|

| | | |
|---------------------------|--------------|--------------|
| Accrued interest and fees | <u>2,550</u> | <u>2,596</u> |
|---------------------------|--------------|--------------|

| | | |
|---------------------|---------------|--------------|
| Accounts receivable | <u>24,309</u> | <u>8,338</u> |
|---------------------|---------------|--------------|

| | | |
|------------------------------|------------|--------------|
| Prepaid reinsurance premiums | <u>196</u> | <u>1,277</u> |
|------------------------------|------------|--------------|

| | | |
|---|------------|------------|
| Furniture and equipment at cost less accumulated depreciation of \$543 in 1984 and \$439 in 1983 | <u>938</u> | <u>841</u> |
|---|------------|------------|

| | | |
|--|------------|------------|
| Leasehold improvements at cost less amortization of \$1,322 in 1984 and \$1,133 in 1983 | <u>148</u> | <u>360</u> |
|--|------------|------------|

| | | |
|--|---------------|---------------|
| Assets acquired in claims settlements (Note 5) | <u>35,324</u> | <u>45,064</u> |
|--|---------------|---------------|

\$907,240 **\$871,187**

Liabilities, Capital and Reserves

Liabilities:

| | | |
|---------------------------------------|----------|----------|
| Accounts payable and accrued expenses | \$ 4,498 | \$ 6,404 |
|---------------------------------------|----------|----------|

| | | |
|---|--|--------|
| Return of appropriated funds due to the U.S. Treasury (Note 10) | | 56,000 |
|---|--|--------|

| | | |
|--|--------------|--------------|
| Direct liabilities related to claims settlements | <u>2,559</u> | <u>6,873</u> |
|--|--------------|--------------|

| | | |
|-------------------|---------------|---------------|
| Unearned premiums | <u>16,986</u> | <u>15,917</u> |
|-------------------|---------------|---------------|

24,043 **85,194**

Contingent liabilities (Notes 7 and 8)

Capital and reserves:

| | | |
|---------|--------|--------|
| Capital | 50,000 | 50,000 |
|---------|--------|--------|

| | | |
|-----------------------------------|----------------|----------------|
| Insurance reserve (Notes 6 and 7) | <u>672,949</u> | <u>587,784</u> |
|-----------------------------------|----------------|----------------|

| | | |
|----------------------------------|----------------|----------------|
| Guaranty reserve (Notes 6 and 8) | <u>152,238</u> | <u>136,307</u> |
|----------------------------------|----------------|----------------|

| | | |
|-------------------|--------------|---------------|
| Retained earnings | <u>8,010</u> | <u>11,902</u> |
|-------------------|--------------|---------------|

883,197 **785,993**

\$907,240 **\$871,187**

The accompanying notes are an integral part of this statement.

Statement of Income

Overseas Private Investment Corporation

For the year ended September 30 (In Thousands)

| | 1984 | 1983 |
|---|-----------------|-----------------|
| Revenues | | |
| Political risk insurance premiums _____ | \$ 31,557 | \$ 31,614 |
| Less reinsurance premiums (Note 2) _____ | <u>4,221</u> | <u>6,093</u> |
| | 27,336 | 25,521 |
| Investment guaranty fees _____ | 3,555 | 3,352 |
| Direct investment interest _____ | 3,008 | 3,075 |
| Interest on U.S. Treasury securities _____ | 74,291 | 61,463 |
| Other interest and income _____ | <u>5,156</u> | <u>4,097</u> |
| | <u>113,346</u> | <u>97,508</u> |
| Expenses | | |
| Salaries and benefits (Note 2) _____ | 5,694 | 5,464 |
| Loss on claims settlements: | | |
| Political risk insurance _____ | 2,835 | 892 |
| Investment guaranties _____ | 1,069 | 1,108 |
| Provision for uncollectable DIF loans _____ | 1,000 | 1,000 |
| Contractual services _____ | 2,021 | 2,991 |
| Investment encouragement _____ | 876 | 660 |
| Rent, communications and utilities (Note 9) _____ | 1,163 | 1,099 |
| Travel _____ | 483 | 551 |
| Printing and supplies _____ | 305 | 317 |
| Depreciation and amortization _____ | 310 | 425 |
| Miscellaneous and other expenses _____ | <u>386</u> | <u>324</u> |
| | <u>16,142</u> | <u>14,831</u> |
| Net Income | <u>\$97,204</u> | <u>\$82,677</u> |

The accompanying notes are an integral part of this statement.

Statement of Changes in Capital, Reserves and Retained Earnings

Overseas Private Investment Corporation

| For the 2 years ended September 30, 1984 (in Thousands) | Capital | Insurance Reserve | Guaranty Reserve | Retained Earnings | Total |
|--|-----------|----------------------|---------------------|----------------------|-----------|
| Balance | | | | | |
| September 30, 1982 | \$ 50,000 | \$558,676 | \$137,415 | \$ 13,225 | \$759,316 |
| Net Income | | | | 82,677 | 82,677 |
| Loss on claims settlements | | (892) | (1,108) | 2,000 | |
| Transfers from retained earnings | | 30,000 | | (30,000) | |
| Return of appropriated funds (Note 10) | | | | (56,000) | (56,000) |
| Balance | | | | | |
| September 30, 1983 | 50,000 | 587,784 | 136,307 | 11,902 | 785,993 |
| Net Income | | | | 97,204 | 97,204 |
| Loss on claims settlements | | (2,835) | (1,069) | 3,904 | |
| Transfers from retained earnings | | 88,000 | 17,000 | (105,000) | |
| Balance | | | | | |
| September 30, 1984 | \$ 50,000 | \$672,949 | \$152,238 | \$ 8,010 | \$883,197 |

The accompanying notes are an integral part of this statement

Statement of Changes in Financial Position

Overseas Private Investment Corporation

For the year ended September 30 (In Thousands)

1984

1983

Source of Funds

| | | |
|---|----------------|---------------|
| Net income | \$ 97,204 | \$ 82,677 |
| Depreciation and amortization | 310 | 425 |
| Repayments of DIF loans | 2,663 | 3,394 |
| Other | 50 | |
| Provision for uncollectable DIF loans | <u>1,000</u> | <u>1,000</u> |
| | 101,227 | 87,496 |
| Increase (decrease) in: | | |
| Unearned premiums | 1,069 | 1,148 |
| Decrease (increase) in: | | |
| Assets acquired in claims settlements | 9,815 | (579) |
| Prepaid reinsurance premiums | 1,081 | (45) |
| Accrued interest and fees | <u>46</u> | <u>(10)</u> |
| | <u>113,238</u> | <u>88,010</u> |

Application of Funds

| | | |
|--|------------------|-----------------|
| Disbursement on DIF loans | 4,246 | 4,414 |
| Acquisition of furniture, equipment and leasehold improvements | 222 | 462 |
| Return of appropriated funds | <u>56,000</u> | |
| Increase (decrease) in: | | |
| Accounts receivable | 15,971 | (3,411) |
| Decrease (increase) in: | | |
| Accounts payable and accrued expenses | 1,907 | (3,790) |
| Direct liabilities related to claims settlements | <u>4,314</u> | <u>(4,893)</u> |
| | <u>82,660</u> | <u>(7,218)</u> |
| Increase in cash and investments | <u>\$ 30,578</u> | <u>\$95,228</u> |

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

Overseas Private Investment Corporation

Note 1: Statement of Corporate Purpose: The Overseas Private Investment Corporation (OPIC) is a self-sustaining U.S. Government agency created under the Foreign Assistance Act of 1961 (FAA), as amended, to facilitate U.S. private investment in friendly developing countries, primarily by offering political risk insurance, investment guaranties and direct loans.

Note 2: Summary of Significant Accounting Policies:

Revenue Recognition: Revenue from political risk insurance premiums is recognized on a pro-rata basis over the contract coverage period. Revenue from both loan interest payments and guaranty fees which are more than 90 days past due is recognized only when cash is received.

Pending Claims: OPIC records insurance contract claims as financial liabilities only upon determination that a liability exists and only when such amounts can be reasonably estimated. In the case of most expropriation claims, the expropriatory action must continue for a period of one year before the claim matures. Formal applications for compensation are generally filed only with respect to mature claims and specify the particular events which have occurred and which, in the opinion of the investor, subject OPIC to liability.

Local Currency: OPIC acquires local currency in settlement of inconvertibility claims when an insured foreign enterprise is unable to convert local currency into U.S. dollars. The U.S. dollar equivalent is included in accounts receivable until utilized by OPIC or other agencies of the United States Government or until exchanged for U.S. dollars by the foreign government.

Reinsurance: OPIC reinsures a portion of its political risks with other insurance companies to minimize its exposure to loss. Effective January 1, 1984, OPIC's reinsurance coverage provides catastrophic protection and compensates OPIC for 60

percent of aggregate inconvertibility and expropriation losses exceeding \$100 million in any one year. Maximum reinsurance recovery per year cannot exceed \$120 million. For fiscal year 1983 and the first quarter of fiscal year 1984, exposure to loss from insurance claims is reduced by two reinsurance agreements which recover 82.625 percent and 25.125 percent of expropriation and inconvertibility loss, respectively, subject to an annual worldwide limit of \$80 million combined with certain per-country and per-project limitations.

Valuation of Assets Acquired in Claims Settlements: Debt of a foreign government acquired in the settlement of a claim is valued at the lower of its present value or the cost of acquisition. All other assets acquired in claims settlements are valued at the lower of management's estimate of the present value of recovery or the cost of acquisition.

Depreciation and Amortization: Depreciation is computed on a straight-line basis over a 10 year life. Leasehold improvements are amortized over the life of the related lease.

Pensions: All permanent employees of OPIC hired prior to January 1, 1984, are covered by the Civil Service Retirement and Disability Fund. Employees hired on or after January 1, 1984, will be covered under both Social Security and Civil Service retirement during a two-year transition period ending on January 1, 1986. In both cases the Corporation has the responsibility for withholding the proper amount of each employee's salary and for contributing a matching amount to the funds. OPIC has no unfunded pension liability.

Note 3: Investment in U.S. Treasury Securities: Investments in U.S. Treasury securities are, by statute, limited to funds derived from fees and other revenues. Investments are generally held to maturity. The face value of the U.S. Treasury securities was \$822.4 million at September 30, 1984 and \$762.5 million at September 30, 1983. The net discount of securities purchased totaled \$15.2 million and \$13.7 million at September 30, 1984 and 1983, respectively. Accrued interest totaled \$2.9 million at September 30, 1984 and \$4.2 million at September 30, 1983. The total of these amounts for OPIC's investment in U.S. Securities is \$810.1 million and \$753.0 million at September 30, 1984 and 1983, respectively.

Note 4: Direct Investment Fund (DIF): The FAA authorized the establishment of a Direct Investment Fund (DIF) to make private sector loans to companies in developing countries on terms and conditions established by OPIC in such cumulative annual amounts as provided in advance by the Congressional appropriation acts. OPIC

transferred to the DIF \$40 million of the original capital appropriation. An additional \$10 million was added to the DIF during 1976, concurrently with an increase in capital from \$40 to \$50 million. For fiscal years 1984 and 1983, the related appropriation acts allowed new loan obligations of up to \$10 million per year. For fiscal year 1985, the authorization for new loan obligations has been raised to \$15 million.

DIF operations are charged with realized losses and credited with realized gains and any OPIC corporate transfers as determined by the Board of Directors. For each fiscal year beginning with 1982, OPIC is required by statute to increase the DIF by (a) the principal and interest repayments received during the previous year and (b) at least ten percent of OPIC's net income for the previous year. Thus, OPIC's Board increased the DIF by \$14.4 million in 1984, and \$13.6 million in 1983.

The cumulative status of the DIF is as follows:

| | 1984 | 1983 |
|---|---------------|---------------|
| | (in millions) | |
| DIF appropriation | \$40.0 | \$40.0 |
| Corporate transfers (including \$10 million from FY 1976) | 51.3 | 36.9 |
| | 91.3 | 76.9 |
| Less cumulative net losses | (6.5) | (4.7) |
| Unused authority | (38.2) | (29.3) |
| Outstanding commitments | 46.6 | 42.9 |
| Undisbursed commitments | (13.4) | (9.7) |
| DIF outstanding loans receivable | 33.2 | 33.2 |
| Less allowance for uncollectable loans | (4.3) | (4.8) |
| Loans outstanding, net | <u>\$28.9</u> | <u>\$28.4</u> |

Note 5: Assets Acquired in Claims Settlements: Claim related assets may result from payments on claims under either the investment guaranty program or the insurance program. Under the guaranty program, when OPIC pays a guaranteed party, a receivable is created. Under the insurance program, similar receivables reflect the value of subrogated assets, generally host country notes, that may be acquired as a result of a claim settlement.

Claim related assets for insurance and guaranties are summarized below:

| | 1984 | 1983 |
|---|-----------------|-----------------|
| | (in thousands) | |
| Claim related assets | \$47,219 | \$54,960 |
| Less: Allowance for doubtful recoveries | (11,895) | (9,896) |
| Net assets acquired in claims settlements | <u>\$35,324</u> | <u>\$45,064</u> |

Note 6: Statutory Reserves and Full Faith and Credit: Section 235(c) of the FAA established a fund with separate accounts known as the Insurance Reserve and the Guaranty Reserve for the respective discharge of liabilities arising from investment insurance or from guaranties issued under Section 234(b) of the FAA and similar predecessor guaranty authority.

Both Reserves may be increased by transfers from retained earnings or by new Congressional appropriations. At September 30, 1984 and 1983, retained earnings available for transfer to the Insurance or Guaranty Reserves were \$8.0 million and \$11.9 million, respectively.

Should funds at any time not be sufficient to discharge obligations arising under investment insurance or guaranties, and if OPIC exceeds its \$100 million borrowing authority, Congress would have to appropriate funds to fulfill the pledge of full faith and credit to which such obligations are entitled. Standing authority for such appropriations is contained in Section 235(f) of the FAA.

All approved claims arising from investment insurance issued by OPIC, all guaranties issued by OPIC in connection with the settlement of such claims, and all guaranties referred to in the first paragraph above constitute obligations on which the full faith and credit of the United States of America is pledged for full payment and performance.

Note 7: Insurance Reserve: The Insurance Reserve at September 30, 1984 and 1983, totaled \$672.9 million and \$587.8 million, respectively. Charges against the Insurance Reserve could arise from contingent liabilities under (A) political risk insurance contracts, (B) pending claims under insurance contracts, and (C) guaranties issued in settlement of claims arising under insurance contracts. These three categories of contingent liabilities are discussed in more detail below:

(A) Political Risk Investment Insurance: OPIC issues insurance under limits fixed by the legislative authorization in the FAA and prior authorities. The utilization of these authorized amounts (excluding obligations under guaranties issued in settlement of claims) is as follows:

| As of Sept. 30, 1984 (in millions) | Total | Unused Author- ity | Out- standing |
|---------------------------------------|----------------|--------------------------|------------------|
| Legislative authorization predecessor | \$1.241 | | \$1.241 |
| Legislative authorization-FAA | 7.500 | \$3.096 | 4.404 |
| Available authority | <u>\$8.741</u> | <u>\$3.096</u> | <u>\$5.645</u> |

| As of Sept. 30, 1983 (in millions) | Total | Unused Author- ity | Out- standing |
|---------------------------------------|----------------|--------------------------|------------------|
| Legislative authorization predecessor | 1.241 | | 1.241 |
| Legislative authorization-FAA | 7.500 | 3.172 | 4.328 |
| Available authority | <u>\$8.741</u> | <u>\$3.172</u> | <u>\$5.569</u> |

OPIC, as did its predecessors, insures investment against three different risks: inconvertibility of currency; expropriation; and war, revolution, insurrection and civil strife. Under some contracts issued by OPIC's predecessors, an investor theoretically could make successive claims under more than one coverage with respect to the same investment, thereby collecting aggregate compensation exceeding any single coverage amount. The outstanding amounts reflect this theoretical possibility and, in addition, include provision for insurance as to which OPIC is not currently at risk but is contractually obligated to provide upon the investor's future request to cover increases in retained earnings and accrued interest.

However, the outstanding amount pursuant to legislative authorizations is of little use in realistically evaluating the maximum exposure to insurance claims, because it includes insurance for which OPIC is not currently at risk and because it is improbable that multiple payments would be made for each investment. Management believes that a more accurate representation of maximum potential exposure to future claims arising from existing insurance contracts can be obtained by assuming that only one claim would be brought under each contract and that the coverage under which the claim would be brought would be the coverage with the highest amount of current insurance in force. Based on this assumption, management believes the maximum potential exposure of OPIC as to claims at September 30, 1984, is \$3.0 billion.

(B) Pending claims: At September 30, 1984, the total amount of compensation formally requested in contract claims for which no determination of liability has yet been made is approximately \$9.2 million. There are five (5) claims filed under inconvertibility coverage and one (1) under expropriation coverage.

In addition to requiring formal applications for claimed compensation, the contracts require investors to notify OPIC promptly of host government action which the investor has reason to believe is or may become an expropriatory action. Compliance with this notice provision sometimes results in the filing of notice of events that do not mature into expropriatory actions.

The highly speculative nature of these

notices, both as to the likelihood that the event referred to will constitute expropriatory action and the amount, if any, of compensation that may become due, leads OPIC to follow a consistent policy of not recording a liability related to such notices in its financial statements. Any claims that might arise from these situations are, of course, entirely encompassed in management's estimate that maximum potential exposure (prior to recoveries from reinsurance), under existing investment insurance contracts is \$3.0 billion (Note 7A).

(C) Claims settlement guaranties: Pursuant to Sections 237(i) and 239(d) of the FAA, OPIC has in some instances settled claims arising under insurance contracts by issuing payment guaranties of host government obligations. The balances remaining on these claims settlement guaranties represent contingent liabilities backed by the Insurance Reserve.

The contingent liability at September 30, 1984, under such guaranties, including liability as to interest, was \$12.7 million. If the principal obligors default in full, and if OPIC does not exercise certain prepayment rights, OPIC would become liable for the following payments

| Fiscal year | Contingent liability (in millions) |
|-------------|---------------------------------------|
| 1985 | \$ 5.8 |
| 1986 | 5.5 |
| 1987 | 0.7 |
| 1988 | 0.7 |
| | <u>\$12.7</u> |

Of the total contingent liability under claims settlement guaranties, \$9.8 million represents guaranties of obligations either incurred by the Government of Chile in compensation agreements with OPIC or recognized by the Government of Chile in respect of debt previously insured by OPIC.

In addition to these amounts, in connection with the 1978 and 1984 settlements of two claims, OPIC entered into indemnity agreements with insureds under which OPIC could be liable for up to \$13.6 million.

Note 8: Investment Guaranty Program:

(A) Guaranty Reserve: To promote overseas investments, OPIC guaranties certain U.S. investments in less developed countries. This guaranty service is provided for under current authorizations of Section 234(b) of the FAA as well as under prior authorizations to OPIC's predecessors, and includes guaranties of debt, equity, and participation of DIF loans. Section 235 of the FAA requires OPIC to have, at the time OPIC commits itself to issue any guaranty under Section 234(b), a Guaranty

Reserve equal to at least 25 percent of guaranties then issued and outstanding or committed under 234(b) and prior authorities. At September 30, 1984 and 1983, the Guaranty Reserve was \$152.2 million and \$136.3 million, respectively. At September 30, 1984, the Guaranty Reserve exceeded the minimum required reserve by \$52.9 million.

(B) **Investment Guaranty Authority and Cumulative Status:** Guaranties may be issued only to the extent or in such cumulative annual amounts as provided in advance by Congressional appropriation acts. For fiscal years 1984 and 1983, the appropriation acts allowed new guaranty obligations of up to \$100 million per year. For fiscal year 1985, the authorization for guaranty commitments has been raised to \$150 million.

The following schedule reflects the cumulative status of the guaranty authority, commitments and outstanding balances:

| As of September 30 | 1984 | 1983 |
|--|----------------|----------------|
| | (in millions) | |
| Legislative authorization-predecessors | \$ 5.9 | \$ 5.9 |
| Legislative authorization-FAA | <u>750.0</u> | <u>750.0</u> |
| | 755.9 | 755.9 |
| Less uncommitted authority | <u>(358.7)</u> | <u>(347.5)</u> |
| Total outstanding commitments | 397.2 | 408.4 |
| Less undisbursed commitments | <u>(190.5)</u> | <u>(231.9)</u> |
| Guaranties outstanding (at risk) | <u>\$206.7</u> | <u>\$176.5</u> |

Note 9: Rent: OPIC leases office space under an operating lease which expires on August 31, 1985. Rental expenses for 1984 and 1983 were approximately \$705,000 and \$613,000, respectively. Fiscal year 1985 rental expense is expected to be approximately \$725,000. On August 31, 1985, OPIC's current lease will expire; at that time OPIC will relocate to 1615 M Street, N.W., Washington, DC, and minimum future rental expenses will be approximately \$1.2 million annually.

Note 10: Appropriated funds due to U.S. Treasury: Section 240(B) of the FAA required OPIC to return to the general fund of the U.S. Treasury the \$106 million aggregate amount appropriated to OPIC prior to January 1, 1975. During fiscal year 1982, OPIC returned \$50 million. In November 1983, the remaining \$56 million was returned to the U.S. Treasury. This amount was reflected as a liability at September 30, 1983.

(916164)

30606

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